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OFFICE OF
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**Federal Election Commission
Office of General Counsel
Attn: Frankie D. Hampton
999 E Street, N.W.
Washington, D.C. 20463**

Dear Ms. Hampton:

DISCUSSION

First Allegation- Tarkanian for Congress did not properly report loans it received from the Candidate and the funds may not have been eligible to be loaned. Two loans are in question. One was for \$250,000 from a previous US Senate campaign and the second one was for \$53,755.83 from this Congressional campaign. The two loans are addressed separately below.

The Complaint alleges that Tarkanian for Congress did not file a Schedule C disclosing the \$250,000 loan it owed to Mr. Tarkanian from a previous campaign in the reports preceding the July 2012 Quarterly Report.

However, review of both the January and April 2012 Quarterly Reports show that the loan is disclosed in Schedule C.

The Complaint also alleges an FEC violation because the July Quarterly Report did not disclose this loan on a Schedule C. The Complainant acknowledges the forgiveness of the loan was specifically disclosed on the July Quarterly Report.

The loan in question was provided two years before the Quarter and the debt was forgiven during the Quarter. Since no debt was incurred during the Quarter and no debt was owed at the end of the Quarter Tarkanian for Congress did not feel it was appropriate to list it as a debt on Schedule C in the July Quarterly Report.

The Complainant also raises the ridiculous question of whether I could legally loan my campaign the funds and subsequently forgive the same because of a lawsuit in which I am currently involved. I loaned my U.S. Senate campaign the sum of \$250,000 in 2009 before any lawsuit was ever filed and at the time of the forgiveness the lawsuit was still in progress. In fact, no final determination of this matter has been reached as of this date.

\$53,755.83 loan for this Congressional Campaign

In the general election, Tarkanian for Congress retained the services of Seale and Beers accounting firm. The lead accountant for said firm responded to this allegation below:

The loans made by Danny Tarkanian in my software were categorized as 13(a) which is a loan made or guaranteed by the candidate. The repayment of the loan was entered into the software as a loan repayment to candidate. We have called the FEC office and spoke with several analysts on February 1, 2013, Kaitlin, Natalia, and Rebecca. Rebecca informed us that the reason a schedule C was not being reported was because during the October quarter the entire loan amount was repaid/forgiven and it was a software issue. It should have generated a schedule C showing the full payment and a balance of zero. She informed us she would look into it and see what could be done to correct the software.

Second Allegation- Six individual contributions were reported in the line reserved for political committees and six political committee contributions were reported in the line reserved for individual contributions.

According to the Seale and Beers accountant, a mistake was made in this regards but has since been corrected. Please see Amendment 2 to the October 15, 2012 Quarterly Report.

Third Allegation- Tarkanian for Congress appears to have accepted excessive contributions. There are two different claims in this Allegation which will be addressed separately.

- 14044M000000
- (a) **Alleged \$25,000 contribution from Bill Carlson-** Mr. Carlson donated \$2,500 to Tarkanian for Congress. A typo was made in this entry which was corrected on amendment 2 of the October 15, 2012 report.
- (b) **Donations to pay off Primary Debt-** Tarkanian for Congress received four donations to retire its primary debt. They are as follows:
- a. George Balaban- \$550 on 9/25/12
 - b. Debbie Cassidy- \$2,500 on 8/20/12
 - c. David Dobbins- \$2,500 on 9/30/12
 - d. John Falb- \$2,500 on 8/9/12

Apparently, Tarkanian for Congress' accountant designated the four contributions above as contributions for the primary election but did not designate the donations for primary debt retirement. Seale and Beers accounting has acknowledged the mistake and has corrected the same on the Quarterly Report. Their response to this allegation is as follows:

"In the software, they give a drop down box to describe the donation. I chose primary. I called the FEC and they suggested that I add a memo to the donations that were for primary and explain that they were for primary debt retirement. So the reason it was not clear before was because I was choosing from the options on their software. This issue has since been corrected with memo descriptions."

- (c) **Primary Debt-** Tarkanian for Congress had primary debt in excess of the contributions received to retire said debt. The largest primary debt was to Global Printing in the sum of \$10,948. Global Printing produced all of the yard and street signs and t-shirts for the primary election. Tarkanian for Congress' bookkeeper during the primary, Directfiles, inadvertently omitted this debt on the July Quarterly report. The report is currently being amended to identify this debt as primary debt.

Fourth Allegation- Tarkanian for Congress appears to have accepted impermissible corporate contributions.

Complainant questioned the tax and/or legal status of three different companies which donated to Tarkanian for Congress. All three companies were eligible to donate to the same.

Fine Properties, LLC and Primm Investments, LLC have both elected to be treated as a partnership by the Internal Revenue Service. Seale and Beers has amended the wording surrounding the LLC's and provides the following statement:

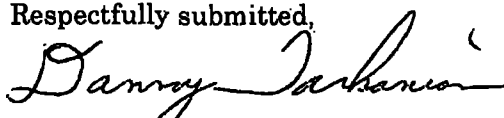
"The LLCs are affirmed to be taxed as a partnership under their IRS status and therefore eligible to contribute. We never accepted or even deposited

checks from an LLC until we were certain they were eligible to donate. The lack of our campaign to indicate such eligibility was, we now understand a deferral from standard practice, however, it was unintentional. We assumed that as it was illegal to accept donations from LLC's treated as corporations that all donations accepted from LLC's would be presumed to be eligible to donate."

Herbert's Refrigeration Company is a sole proprietorship, not a corporation nor an LLC, so the donation is essentially from the owner. A memo now accompanies the donation explaining that the company is a sole proprietorship. The company address and Mei Herbert's personal address are one and the same; however, since the money came from the business' bank account we attributed the donation to his company. Seale and Beers spoke with an analyst at the FEC, Natalia on February 1, 2013, and she agreed with this treatment.

Dismissal is Appropriate: Tarkanian for Congress admits that there were several inadvertent mistakes made by its bookkeeper and accountant; however, there was no intent to circumvent the FEC rules and there was no advantage to the campaign. Furthermore, all of these mistakes have been corrected or are in the process of being corrected. Therefore, Tarkanian for Congress asks that this Complaint be dismissed with prejudice.

Respectfully submitted,



Danny Tarkanian